

Submitted via Qualtrics

Company / Entity View

Question 1

Do you have any comments or concerns on the proposed arrangements for the Hong Kong securities market?

Yes

If the answer is "Yes", please specify your comments or concern:

About HKCGI

The Hong Kong Chartered Governance Institute (HKCGI), formerly known as The Hong Kong Institute of Chartered Secretaries, is the only qualifying institution in Hong Kong and the Mainland of China for the internationally recognised Chartered Secretary and Chartered Governance Professional qualifications.

With over 70 years of history and as the Hong Kong/China Division of The Chartered Governance Institute (CGI), the Institute's reach and professional recognition extend to all of CGI's nine divisions, with about 40,000 members and students worldwide. The Institute is one of the fastest growing divisions of CGI, with a current membership of over 7,000, 300 graduates and 2,600 students with significant representations within listed companies and other cross industry governance functions.

Believing that better governance leads to a better future, HKCGI's mission is to promote good governance in an increasingly complex world and to advance leadership in the effective governance and efficient administration of commerce, industry and public affairs. As recognised thought leaders in our field, the Institute educates and advocates for the highest standards in governance and promotes an expansive approach which takes account of the interests of all stakeholders.

Our Institute supports maintaining normal operations of the Hong Kong securities market during SW conditions. We understand the risks associated with investors being forced to carry open positions and unsettled risks because of an SW trading suspension. This undoubtedly affects Hong Kong's market reputation, especially when

Mainland and international markets stay open for SWT. We also recognise the size of Mainland risk exposures and the Northbound Stock Connect affected by SW trading suspension.

The prioritisation of personnel and investor safety adopted by the SWT Task Force is the correct approach, as personal safety is paramount. Also, the other balancing considerations of maximising investor benefit, maintaining normal business operations, and fulfilling risk obligations for open and unsettled stock positions to comply and align with local and international regulatory requirements are appropriate.

We have member views from SME brokerages that they might still need some personnel at their workplace to support back-office operations due to their digitalisation pathway. Their difficulty is that current labour guidelines provide that everyone should remain in a safe location during SW conditions and compulsive insurance coverage is unavailable. In this context, the SWT Task Force might, depending on their submissions, consider a longer transition period to achieve full digitalisation of back-office operations. We agree that alternative models to accommodate SME brokerages would not be feasible as set out under paragraph 97 of the Consultation Paper.

Overall, we agree that for Hong Kong's competitiveness and best-in-class trading and risk management as a leading IFC, there is a pressing need to allow for SW Trading. Our Institute has called for and supported modernising local financial market infrastructure and upgrading to a paperless and digitalised securities market regime to align with global market practices, which will accommodate SW Trading. Our position over the years has been consistent in this regard.

Question 2

Do you have any comments or concerns on the proposed arrangements for Northbound Trading under Stock Connect?

Yes

If the answer is "Yes", please specify your comments or concern:

From the applied governance perspective, we agree with the proposed arrangements.

As set out in paragraph 52 of the Consultation Paper, the key is that the CCCPs should have proper risk management and robust funding arrangements. The SWT Task Force, from the perspective of applied governance, should consider providing guidance to brokerages as to the appropriate standards and arrangements to adopt on these topics.

Question 3

Do you have any comments or concerns on the proposed arrangements for Hong Kong derivatives market?

Yes

If the answer is "Yes", please specify your comments or concern:

We agree with the proposed arrangements under paragraphs 54 to 62 of the Consultation Paper, including the trading, clearing, risk management, market data, LOP reporting and holiday trading arrangements.

Question 4

Do you have any comments or concerns on the proposed arrangements for new listings and new products?

Yes

If the answer is "Yes", please specify your comments or concern:

We have no issue with the listing and first day for trading on an SWT Day and other arrangements set out under paragraphs 63 to 71 of the Consultation Paper on ETPs, Structure Products, and Futures and Options.

Question 5a

Do you have any comments or concerns on the proposed money transfer arrangements in relation to Cheque Clearing?

Yes

If the answer is "Yes", please specify your comments or concern:

We agree that there should be no collections of paper cheques, and market participants should use e-cheques, CHATS, FPS, Autocredit, etc, to avoid possible money transfer issues and other arrangements relating to money transfer as set out under paragraphs 76 to 82 of the Consultation Paper.

Question 5b

Do you have any comments or concerns on the proposed money transfer arrangements in relation to Banking Services?

Yes

If the answer is "Yes", please specify your comments or concern:

We agree that there should be no collections of paper cheques, and market participants should use e-cheques, CHATS, FPS, Autocredit, etc, to avoid possible money transfer issues and other arrangements relating to money transfer as set out under paragraphs 76 to 82 of the Consultation Paper.

Question 6

Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 90 – 91?

No

If the answer is "No", please specify your comments or concern:

We accept the arrangements that are suggested in paragraphs 90 through 91. It is consistent with market practices and technical improvements to uphold the current definition of a 'business day' and eliminate time extensions while implementing SWT under the Listing Rules.

Question 7

Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 92 – 94?

No

If the answer is "No", please specify your comments or concern:

We accept the arrangements that are suggested in paragraphs 92 through 94. Proactively ensuring market stability on a Severe Weather Trading Day means anticipating practical challenges and making necessary adjustments to account for them.

Question 8

Do you envisage there being any material practical difficulty in complying with any particular Listing Rule requirements?

Yes

If the answer is "Yes", please specify your comments or concern:

Although we expect few practical issues, certain circumstances mentioned in paragraph 93, like physical services or attendance requirements, might need to be clarified as articulated under the Consultation Paper. Please gauge market consensus if there are any other issues.

Question 9

Do you agree that consequential amendments to the Listing Rules should be made?

No

If the answer is "No", please specify your comments or concern:

We agree that consequential amendments should address the regulatory framework during Severe Weather Trading under Chapter 2.

Question 10

Under the proposed model, do you foresee any insurmountable difficulties for

implementing SWT?

Yes

If the answer is "Yes", please specify your comments or concern:

We have noted that SME brokerages might have difficulties. However, these should not be insurmountable obstacles. The consultation paper presents a thorough strategy, and the SWT Task Force might consider providing guidance to market participants for the accelerated pathway to digitalisation, including SME brokerages for their back-end operations, which our Institute will support.

Question 11

Would there be adequate time to prepare for SWT to come effective in July 2024 under the proposed model?

No

If the answer is "No", please specify the reasonable length and reason(s):

We have no issue. Please consider market feedback and support for the SME brokerages, as appropriate.